

SUBCOMMITTEE NO. 1 on Education



Subcommittee No. 1

Chair, Denise Moreno Ducheny

Member, Bob Margett

Member, Gloria Romero

Wednesday, June 4, 2008

9:30 a.m.

Room 3191, State Capitol

Child Development Agenda – Part B

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6110 California Department of Education – Child Development

Program Description	Comments
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CONSENT

6110-196-0001 California Department of Education – Child Development

6110-196-0890; 6110-602-0001; 6110-696-0001; 6110-488; 6110-494

1. May Revision – PARI\$ System, State Operations. (Issue 002)	Approve May Revision
2. May Revision – Eliminate Stage 2 Child Care Reserve (Issue 376)	Approve May Revision
3. May Revision –Reflect availability of one-time funds (Issues 379 and 385)	Approve May Revision
4. May Revision –Reflect availability of one-time federal funds (Issue 384)	Approve May Revision
5. May Revision –Reappropriate various unexpended funds for child care (Issues 755, 383 and 386)	Approve May Revision

6110 California Department of Education – Child Development

Program Description	Comments
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6110-196-0001 California Department of Education – Child Development

<p>May Revision Issue (374) – Adjustment of Regional Market Rates</p> <p>The May Revision proposal:</p> <ul style="list-style-type: none">(1) Delays child care provider rate increases until January 1, 2009;(2) Caps rates at the 75th percentile of market rates (current law sets caps rates at the 85th percentile);(3) Limits the Regional Market Rate survey to being conducted every two years (rather than annually, as required by current statute);(4) Deletes current statute requiring the California Department of Education to implement regional market rates based on data compiled at the county level rather than aggregated at some other regional level (i.e., zip code level).	<p><u>Staff Recommendation:</u></p> <ul style="list-style-type: none">(1) Adopt Legislative Change to May Revision Letter to further delay implementation of rate increases to March 1, 2009;(2) Deny May Revision proposal to cap reimbursement rates at the 75th percentile of market rates;(3) Approve May Revision proposal to limit RMR survey to every two years; and(4) Deny May Revision proposal to eliminate current statute which outlines how Regional Market Rate data is aggregated.(5) Conform BBL and TBL to reflect actions (conforming to Assembly)(6) Conform action to Item 5180, as necessary.
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6110 California Department of Education – Child Development

Program Description	Comments
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6110-196-0001 California Department of Education – Child Development

<p>May Revision Issue (378) – Family Fee Schedule</p> <p>The May Revision proposal:</p> <p>(1) Adjusts the level at which families start paying fees for child care services from current 40 percent of State Median Income (SMI) to 39.3 percent.</p> <p>(2) Is effectuated by the adoptions of Budget Bill Language requiring the California Department of Education to adjust its family fee schedule to ensure that the starting point at which families began paying fees in 2006-07 is the same level at which fees will be assessed in the future.</p> <p>(3) Includes other provisional language requiring that the fee schedule be based upon the current state median income and that specifies that fees be charged for families that are newly eligible (in the current year) at the higher income levels.</p>	<p><u>Staff Recommendation:</u></p> <p>(1) Deny May Revision proposal to reduce threshold at which fees are charged and retain fee threshold at 40 percent of the SMI.</p> <p>(2) Adopt provisional and Trailer Bill language to conform to legislative action, per attached.</p> <p>(3) Conform actions to Item 5180, as necessary.</p>
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6110 California Department of Education – Child Development

Program Description	Comments
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6110-196-0001 California Department of Education – Child Development

6110-602-0001; 6110-488

<p>May Revision Issues (382 and 386) – Caseload Adjustments Stage 2 and Stage 3</p> <p>The May Revision provides an additional \$19.97 million to account for increased cost of care in the CalWORKs Child Care program.</p>	<p><u>Staff Recommendation:</u></p> <p>Adopt May Revision, with Legislative Change to augment by \$16.4 million for Stage 2 Child Care services, per Proposition 98 package.</p>
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6110 California Department of Education – Child Development

Program Description	Comments
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6110-196-0001 California Department of Education – Child Development

6110-196-0890

<p>Governor's Budget – Various Changes included in the Governor's Budget <i>Governor's Budget:</i></p> <p>(1) Reduced all non-CalWORKs based child care and development programs, as well as Child Care Quality and supportive services programs (BBRs), by approximately 6.4 percent;</p> <p>(2) Omits funding for Cost-of-Living-Adjustments (COLA)</p> <p>(3) Freezes the income threshold (SMI) above which families are not eligible to participate in state-subsidized child care and development programs;</p> <p>(4) Reduces the maximum amount provided to Alternative Payment programs for administrative and support services from 20 percent of the contract amount to approximately 19 percent.</p>	<p><u>Staff Recommendation:</u></p> <p>(1) Deny BBR's, per Proposition 98 Package.</p> <p>(2) Provide partial COLA, per Proposition 98 Package</p> <p>(3) Approve SMI freeze, as Budgeted</p> <p>(4) Adopt Alternative Trailer Bill Language to ensure providers receive their administrative and supportive services allowance "upfront" rather than throughout the year, per attached.</p> <p>(5) Adopt revised child care "quality" provisional language, per attached.</p>
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6110 California Department of Education – Child Development

Program Description	Comments
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6110-600-0001 California Department of Education – After School Program

<p>Governor's Budget – Proposition 49 Proposal</p> <p>The Administration proposes statutory (Trailer Bill) language, which would be placed on the ballot, to reduce the amount of funding available for After School (Proposition 49) programs in those years when the minimum funding guarantee for K-12 education (Proposition 98) is also suspended. In anticipation that this measure passing, the Administration "scores" \$59.6million in Proposition 98 savings.</p>	<p><u>Staff Recommendation:</u></p> <p>(1) Approve as Budgeted, Proposition 49 savings derived from Administration's proposal to the suspension of Proposition 49.</p> <p>(2) Adopt <i>alternative</i> Trailer Bill Language, allowing for the suspension of Proposition 49, contingent upon funding levels in Proposition 98 being driven by "Test 3" rather than the Administration's original proposal (per attached.)</p>
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Child Development
(Item 6110-196-0001)

Child Care Quality Expenditure Plan

Add Provision X. When developing the 2008-09 expenditure plan for proposed state and local activities to improve child care, the State Department of Education (SDE), shall follow these three principles: (1) Preserve funding for activities that provide direct services and supports to families; (2) Preserve funding for activities that provide direct services and supports to child care providers and teachers; (3) Comply with federal mandates including quality earmarks and set-asides.

Regional Market Rates

1. Amend Provision 2 as follows:

(b) Notwithstanding any other provision of law, the funds appropriated in this item for the cost of licensed child care services provided through alternative payment or voucher programs including those provided under Article 3 (commencing with Section 8220) and Article 15.5 (commencing with Section 8350) of Chapter 2 of Part 6 of the Education Code shall be used only to reimburse child care costs up to the ~~85th~~ ~~75th~~ **85th** percentile of the rates charged by providers offering the same type of child care for the same age child in that region effective ~~January~~ **March 1**, 2009, based on the 2007 Regional Market Rate Survey data. The Department of Education shall cause to be developed rate limits at the ~~75th~~ **85th** percentile, based on the 2007 survey data, and submit for approval in accordance with law to the Department of Finance no later than October 1, 2008, to enable the rate limits to be reviewed and then implemented by **January** ~~March~~ **1**, 2009. The Department of Education may redirect funding from funds normally reserved for new surveys to achieve this goal, as necessary.

2. Education Code Section 8357 is amended to read:

8357. (a) The cost of child care services provided under this article shall be governed by regional market rates. Recipients of child care services provided pursuant to this article shall be allowed to choose the child care services of licensed child care providers or child care providers who are, by law, not required to be licensed, and the cost of that child care shall be reimbursed by counties or agencies that contract with the State Department of Education if the cost is within

the regional market rate. For purposes of this section, "regional market rate" means care costing no more than 1.5 market standard deviations above the mean cost of care for that region. Beginning ~~January~~ March 1, 2009, child care costs shall not be reimbursed in excess of the ~~75th~~ 85th percentile for that region. For the 2008-09 and 2009-10 fiscal years, the ~~75th~~ 85th percentile limits shall be based on the data collected in the 2007 regional market rate survey for that region.

3. Education Code Section 8447 is amended to read.

(a) The Legislature hereby finds and declares that greater efficiencies may be achieved in the execution of state subsidized child care and development program contracts with public and private agencies by the timely approval of contract provisions by the Department of Finance, the Department of General Services, and the State Department of Education and by authorizing the State Department of Education to establish a multiyear application, contract expenditure, and service review as may be necessary to provide timely service while preserving audit and oversight functions to protect the public welfare.

(b) (1) The Department of Finance and the Department of General Services shall approve or disapprove annual contract funding terms and conditions, including both family fee schedules and regional market rate schedules that are required to be adhered to by contract, and contract face sheets submitted by the State Department of Education not more than 30 working days from the date of submission, unless unresolved conflicts remain between the Department of Finance, the State Department of Education, and the Department of General Services. The State Department of Education shall resolve conflicts within an additional 30 working day time period. Contracts and funding terms and conditions shall be issued to child care contractors no later than June 1. Applications for new child care funding shall be issued not more than 45 working days after the effective date of authorized new allocations of child care moneys.

~~—(2) Notwithstanding paragraph (1), for the 2006-07 fiscal year, the State Department of Education shall implement the regional market rate schedules based upon the county aggregates, as determined by the Regional Market survey conducted in 2005.~~

(2) Notwithstanding paragraph (1), for the 2008-09 fiscal year, the State Department of Education shall implement the regional market rate schedules based upon the county aggregates, as determined by the Regional Market survey conducted in 2007. ~~The regional market rate schedules shall be implemented no later than 90 days after the enactment of the 2006 Budget Act.~~

~~—(2)-(3)~~ (3) Notwithstanding paragraph (1), for the 2006-07 fiscal year, the State Department of Education shall update the family fee schedules by family size,

based on the 2005 state median income survey data for a family of four. The family fee schedule used during the 2005-06 fiscal year shall remain in effect. However, the department shall adjust the family fee schedule for families that are newly eligible to receive or will continue to receive services under the new income eligibility limits. The family fees shall not exceed 10 percent of the family's monthly income.

—~~(3)~~ (4) It is the intent of the Legislature to fully fund the third stage of child care for **former** CalWORKs recipients.

Assessment of Family Fees

1. Amend Provision 9 as follows:

(a) Notwithstanding any other provision of law, the income eligibility limits pursuant to subdivision (a) of Section 8263.1 of the Education Code ~~used in that were applicable to~~ the 2007-08 fiscal year, shall remain in effect for the 2008-09 fiscal year.

(b) Notwithstanding any other provision of law, the State Department of Education (SDE) shall update the 2006-07 family fee schedule by family size for use in the 2008-09 fiscal year, based on the state median income of \$66,166 for a family of four, in accordance with law. The department shall ensure fees are not charged for to families that are newly eligible at higher income eligibility levels and that the start point for payment of fees begins at the same dollar income levels as specified in the 2006-07 family fee schedule with incomes lower than 40% of state median income. The SDE shall implement the revised fee schedule as soon as is practicable, contingent upon approval by the Department of Finance in accordance with law."

2. Amend Education Code Section 8447 (g) as follows:

Notwithstanding any other provision of law, no family eligible for an amount of CalWORKs cash aid may be charged a family fee or other contribution to the cost of subsidized child care.

Alternative Payment Provider Administrative and Supportive Services Rate

Amend Education Code 8223 as follows:

The reimbursement for alternative payment programs shall include the cost of child care paid to child care providers plus the administrative and support services costs

of the alternative payment program. The total cost for administration and support services shall not exceed an amount equal to ~~23.4567~~ 19 percent of the ~~direct cost of care payments to child care providers~~ *total contract amount*. The administrative costs shall not exceed the costs allowable for administration under federal requirements.

Trailer Bill Language – Proposition 49 Suspension.

Add Section X to Education Code Section X. Notwithstanding Section 8483.5 (b) of the California Education Code, in any fiscal year identified as a Test 3 year for purposes of calculating Proposition 98, as defined by Article 16, Section 8 (3) of the California Constitution, the Legislature may appropriate an amount it deems appropriate to the State Department of Education from the General Fund for the After School Education and Safety Program.

Add Section X to Education Code Section X. The Secretary of State shall submit Section 1 of this act to the voters at the November 4, 2008, statewide general election.